

MR TURNBULL

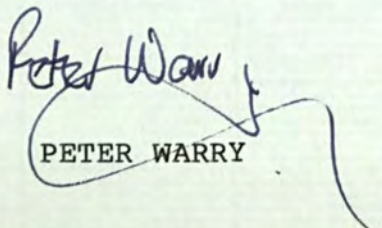
3 May 1985

BANGKOK ORDER FOR LEYLAND BUS

Last year Leyland Bus lost £14 million before interest and tax on a turnover of £107 million. Without the Bangkok order the prospects are grim and the business should really be broken up. The Bangkok order, at the right price, would transform the business - it would double the number of buses sold in 1984. The worst situation would be if Leyland Bus secured merely the first year of the Bangkok order at a punitive price. This would lumber the State with a doubly subsidised loss-maker but prevent it from taking the action necessary to remedy the position.

We believe the aid should be provided but on the following conditions:

1. That there is an acceptable level of proof that the Belgians have breached the International Aid Agreement.
2. That the £21 million only be offered in support of a full five-year contract and not otherwise.
3. That the price to Leyland Bus is no worse than break-even on a fully accounted basis. (The Bangkok order doubles the current level of Leyland Bus output and cannot therefore be costed on a short-term marginal basis).
4. That on the receipt of the order BL immediately place Leyland Bus for sale as a separate entity unless the Salton negotiations have already produced a more favourable outcome.


PETER WARRY